UNITED NATIONS CONFERENCE TO DEBATE PLAN FOR WORLD'S POOREST COUNTRIES

A major United Nations Conference, to be held from 3 to 14 September 1990 in Paris, will debate a comprehensive plan for the 1990s to assist the world's poorest countries. Among the most divisive issues to be negotiated at the Second United Nations Conference on the Least Developed Countries (LDCs) are debt relief, levels of official development assistance, access to developed-country markets for LDC exports, and financial compensation for losses in commodities earnings.

The Conference was called after assessments of a similar plan adopted in 1981 painted a dismal picture. Despite some increases in aid and preferential treatment, economic and social conditions continued to deteriorate in the 41 least developed countries,* bringing continued hardship to over 400 million people.

K.K.S. Dadzie, Secretary-General of the LDC Conference and also of the United Nations Conference on Trade and Development (UNCTAD)—the permanent body which is organizing the September event—blamed the decline on "domestic policy shortcomings, insufficient aid, inadequate structural adjustment programmes and an inclement international environment". In a recent statement, he noted that the results of this Conference were particularly important in the eyes of the developing world, given their "justifiable fears that the rising tide of change in Eastern Europe is diverting governmental and corporate attention and resources from the North-South agenda".

ISSUES BEFORE THE CONFERENCE

During a series of preparatory meetings, delegates agreed on a draft Programme of Action recommending a stronger "development partnership" between the LDCs and the donor community. While this partnership assigns to the LDCs the primary policy-making responsibility for their own growth, it recognizes that increased assistance from donors is essential to make those policies work. The details of that aid—the hard issues on which rich and poor nations differed in the preparatory sessions—remain to be resolved.

Levels of *official development assistance* (ODA) are one bone of contention. At a meeting in February, LDC Ministers suggested that the 1990 plan should reaffirm the target set for ODA levels in 1981—0.15 per cent of the donor countries' gross national product (GNP) or the doubling of their current level of ODA—and set an agreed time-frame for implementation. Levels of ODA averaged 0.09 per cent of GNP during the 1980s, far short of the 1981 target.

Economists at UNCTAD have proposed that, based on calculations of LDC growth rates, donors should double their current ODA levels to the LDCs and provide, on the average, 0.20 per cent of their GNP by the end of the 1990s. Some donor countries prefer to set no specific target, hoping to tie aid decisions to domestic policies and needs of individual LDCs.

On *debt relief*, the LDC Ministers called for an immediate and total write-off of all LDC debt, most of which is publicly held. They are reacting to the

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* The countries classified as least developed by the United Nations are: Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu and Yemen (incorporating the former Democratic Yemen and Yemen, which merged in May 1990).

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fact that the total external debt of the LDCs almost doubled between 1982 and 1988, rising from $35.8 billion to $69.3 billion. Bangladesh and the Sudan together accounted for about $10 billion of that figure. By the end of 1986, the LDCs' total debt was more than 60 per cent of their combined gross domestic product (GDP). Service payments alone absorbed over 30 per cent, in some cases 50 per cent, of their exports.

Compromise proposals have suggested that the options agreed on by the Group of Seven Western industrial nations at Toronto in June 1988—including partial debt forgiveness, reduction in interest rates and extension of repayment periods—be improved and widened to make all the LDCs eligible. Also suggested have been reduction of commercial debt, possibly through debt buy-backs or conversion schemes, and schemes to reduce debt-service obligations to multilateral institutions such as the International Monetary Fund (IMF) and World Bank.

Seeking greater *access to developed-country trade markets* for their products, the LDCs have urged the "elimination of all tariff and non-tariff barriers on products of actual and/or potential export interest to LDCs", primarily agricultural products. Their proposal that the Conference call for specific measures to reduce trade barriers has met resistance. So have proposals for the fullest possible liberalization of trade in textiles and clothing, and advanced implementation for the LDCs of all "most-favoured-nation" concessions made by the Contracting Parties to the General Agreement on Tariffs and Trade.

Finally, concerning *commodities*, the LDCs will press for a recommendation that the various compensatory schemes of the IMF for commodities losses be expanded and their terms improved to give greater access to the LDCs. During 1982-86, the LDCs experienced an annual average shortfall in their export earnings of $370 million on account of instability in commodity markets. Many LDCs depend on the export of only a few primary commodities which face declining markets, and the long-term goal of diversification is slow in coming.

The LDCs maintain that their proposals to the Conference are necessary to offset the severe structural handicaps which block their development efforts. These include widespread poverty (per capita GDP generally below $427), weak economic institutions, large, mostly unskilled labour pools, and an average adult literacy rate of 32 per cent. For the majority, less than 10 per cent of their GDP is derived from manufacturing. Also, many LDCs face climatic or geographic problems such as deserts, mountains or lack of access to the sea, and are permanently vulnerable to natural disasters and environmental problems. All face obstacles they are unable to overcome without a substantial degree of international support.

UNITED NATIONS EFFORTS

For over 25 years, the United Nations has focused attention on the needs of these countries. In 1964, UNCTAD first recognized that 21 countries of the world had special economic problems and designated them "less developed". In 1971, the General Assembly changed the designation to "least developed" and applied it to 24 countries. In 1979, on the recommendation of UNCTAD, the Assembly called for a special UN conference to examine the LDCs' problems and to launch a comprehensive programme on their behalf.

The first UN Conference on the Least Developed Countries, held in Paris in 1981, adopted a Substantial New Programme of Action (SNPA) for the 1980s for the LDCs, aimed at increasing development efforts by LDC Governments and generating more external support. The goals of the SNPA included enabling the LDCs to provide minimum requirements in terms of nutrition, health, transportation, communications, housing, education and job opportunities for their citizens, particularly the rural and urban poor.

SETBACKS IN THE 1980s

Despite the policy reforms undertaken by the LDCs under the SNPA, and the external assistance pro-

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vided, economic and social problems in those countries grew worse in the 1980s:

- Average per capita GNP dropped from $220 to $200.
- GDP growth rates averaged 2.3 per cent, in contrast to 3.4 per cent in the 1970s. Population growth averaged 2.4 per cent, resulting in per capita declines in GDP.
- Domestic savings dropped sharply and investments declined by an annual average of 2.0 per cent during the period 1980-87.
- Agricultural production grew by only 1.6 per cent during 1980-88, as compared with an SNPA target of 4 per cent. The result was increased dependence on imported food.
- Manufacturing output, which the SNPA had targeted at 9 per cent, grew by only 2.3 per cent annually—less than half the growth rate of the previous decade.
- The LDCs became increasingly marginalized within the world economy, as their collective share of world exports dropped from an already small 1.4 per cent in 1960 to a mere 0.3 per cent in 1988.

During this period, most LDCs found they had to cut back on imports, abandon national development programmes and undertake other austerity measures. In order to continue receiving multilateral development assistance, 27 LDCs implemented structural adjustment programmes urged by the IMF and World Bank. However, according to UNCTAD, LDCs which applied such programmes fared no better economically than those which did not.

A few LDCs did show improvements—five (Bhutan, Botswana, Cape Verde, Maldives and Yemen) achieved an average annual GDP growth above 6 per cent during the 1980s. But for the majority, investment and productive capacity declined, and the physical infrastructure deteriorated, impairing their ability to meet the basic needs of their populations. Past economic gains were eroded. The end result was that more countries qualified as "least developed", bringing the total to 41 by 1989.

A PROGRAMME FOR THE 1990s

The draft Programme of Action to be discussed by the 1990 LDC Conference suggests a "macroeconomic policy framework" to overcome the structural problems of the LDCs and recommends guidelines not only for external financing and debt relief, but also for trade diversification, investment promotion, mobilization of domestic financial resources, and stronger co-operation between the LDCs and other developing countries.

The draft Programme also stresses the "strengthening of human capital", especially through access to basic social services, often cut back under adjustment measures. It focuses on the need to involve all people, including women, in the development process, and suggests improvements in the role of public enterprises, of the indigenous private sector and of non-governmental organizations, and in population control, education and training, and health policies.

To transform the economic base of the LDCs, the Programme notes the importance of rural development and modernization of agriculture; rehabilitation and expansion of industrial, service and technological bases; improvements to infrastructure; sound environmental management; and disaster mitigation. It also makes recommendations for land-locked and island LDCs.

Finally, the Programme emphasizes the need for effective follow-up and monitoring, and reaffirms UNCTAD's mandate as the focal point for review of the Programme.

Representatives of virtually all UN Member States and organizations in the United Nations system will participate in the Conference, which will be hosted by the French Government.

	Population (millions)	GDP Per Capita (1987)	Manufacturing (% of GDP)	Adult Literacy	Average Life Expectancy
LDCs	402.4	$227	8	32%	49
All Developing Countries	2,639.3	$877	20	58%	59

Source: UNCTAD and UNDP data.

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